

State of Rhode Island Revenue Brief FY 2008 Cash Collections through July 2007

Beginning in FY 2004, the State of Rhode Island Budget Office presented a more comprehensive assessment of fiscal year-to-date revenue collections. In particular, the Revenue Brief now contains information on the Other General Revenue Sources. These sources include the Gas Tax Transfer, Other Miscellaneous Revenues, the Lottery Transfer, and the Unclaimed Property remittance.

Users of the report should be cautious when comparing year-to-date growth rates to the revised growth estimate for Other Miscellaneous Revenues and Unclaimed Property as the receipt of these revenues is not continuous. That is, for these two general revenue categories, payments are received at discrete points in time over the course of a fiscal year. Further complicating matters is the fact that the discrete pattern of receipts varies so that payments received do not necessarily occur at the same point in time in each fiscal year.

Total General Revenues

Annual Growth Rates	<u>Enacted Growth Estimate</u> 7.4 %	<u>Actual YTD Growth</u> 39.4%	<u>Adjusted YTD Growth</u> 2.6 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$3.473 Billion	<u>Actual YTD Cash</u> \$245.8 Million	<u>Adjusted YTD Cash</u> \$180.9 Million

Fiscal Year 2008 total general revenues collected through July 2007 have increased by 39.4 percent as compared to Fiscal Year 2007 total general revenues collected through July of last year. For the fiscal year-to-date period through July 2007, total general revenues were \$245.8 million as compared to \$176.3 million for the same period last year, an increase of \$69.5 million. Due to various causes, which are detailed below, adjustments need to be made to the fiscal year-to-date data for both FY 2007 and FY 2008.

The FY 2007 Hospital Licensing Fee was due by July 16, 2007. A portion of the fee, \$4.4 million, was received in June 2007 and the remainder, \$66.8 million, was received in July 2007. Because the cash received in July 2007 accrued back to FY 2007, the \$66.8 million paid in July of FY 2008 must be adjusted out of total general revenues for July 2007 to accurately reflect year-to-date FY 2008 cash. The difference in payment schedule between fiscal years causes growth in departmental licenses and fees to appear higher than actual before adjusting for this payment. The FY 2008 Hospital Licensing Fee is due to the State by July 14, 2008, and will accrue back to FY 2008 if received during the fiscal year 2009 period, per the FY 2008 Appropriations Act.

In FY 2007, tax receipts from banks were overstated by \$3,000 due to a financial institutions tax payment that was erroneously posted as a bank deposits tax in July 2006 but was corrected in August 2006.

In Fiscal Year 2008, motor vehicle revenues were understated by \$1.8 million due to the late posting of interstate trucking payments that are made to the forty-nine other states and Canada. Until FY 2005, this posting was made in June of each fiscal year. Beginning in FY 2005, this posting was not done until the following fiscal year. This pattern of late posting has since continued in each following fiscal year. The FY 2006 payments were made in August 2006, resulting in FY 2007 motor vehicle license and fees being understated by \$2.4 million in August.

The final tally for the Tax Amnesty provided at the May 2007 Revenue Estimating Conference (REC) run from July 1, 2006 through September 31, 2006 brought in \$122,693 in late and overdue taxes identified as general revenues in June 2006. These tax collections were late or overdue are therefore attributable to prior years. However, because the estimated revenues resulting from the Tax Amnesty were included in the FY 2007 revenue base, these collections will not be adjusted out of the reported FY 2007 revenues.

Accounting for revenue adjustments yields an adjusted rate of growth for the fiscal year-to-date period through July 2007 of 2.6 percent. It should be noted that the adjusted year-to-date growth rate is not necessarily indicative of the projected annual growth. The FY 2008 enacted growth estimate is an increase of 7.4 percent in total enacted FY 2008 general revenues over final enacted FY 2007 collections.

Taxes and Departmental Receipts

Annual Growth Rates	<u>Enacted Growth Estimate</u> 5.1 %	<u>Actual YTD Growth</u> 39.5 %	<u>Adjusted YTD Growth</u> 2.6 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$2.974 Billion	<u>Actual YTD Cash</u> \$245.3 Million	<u>Adjusted YTD Cash</u> \$180.4 Million

The State of Rhode Island Budget Office reports that FY 2008 taxes and departmental receipts collected through July 2007 have increased by 39.5 percent as compared to FY 2007 collections for the comparable period a year ago. For the fiscal year-to-date period ending July 2007, total taxes and departmental receipts were \$245.3 million as compared to \$175.9 million for the same period last fiscal year, an increase of \$69.4 million.

The Hospital Licensing Fee and the motor vehicle licenses and fees late interstate trucking payments result in a \$(64.9) million adjustment in FY 2008 for comparability between fiscal years. These modifications yield a FY 2008 adjusted growth rate in taxes and departmental receipts of 2.6 percent. The FY 2008 enacted growth estimate projects an increase of 5.1 percent in total taxes and departmental receipts over final enacted FY 2007 collections.

Other General Revenue Sources

Annual Growth Rates	<u>Enacted Growth Estimate</u> 23.2 %	<u>Actual YTD Growth</u> 13.0 %	<u>Adjusted YTD Growth</u> 13.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$499.3 Million	<u>Actual YTD Cash</u> \$467,733	<u>Adjusted YTD Cash</u> \$467,733

FY 2008 other general revenue sources collected through the first month of the fiscal year have increased by 13.0 percent as compared to collections through the first month of fiscal year 2007. Other general revenue sources include the Gas Tax Transfer to the general fund, Other

Miscellaneous Revenues, the Lottery Transfer to the general fund, and Unclaimed Property that is transferred to the State in June of each fiscal year. The FY 2008 enacted growth estimate for other general revenue sources projects an increase of 23.2 percent in other general revenue sources over final enacted FY 2007 collections. For the fiscal year-to-date period ending July 2007, total other general revenue sources were \$467,733 as compared to \$413,957 for the same period last year, an increase of \$53,776. The Lottery Transfer to the general fund is first reported in August of the new fiscal year and the Unclaimed Property transfer to the general fund is reported in June of the fiscal year.

Total Taxes

Annual Growth Rates	<u>Enacted Growth Estimate</u> 2.8 %	<u>Actual YTD Growth</u> -1.3 %	<u>Adjusted YTD Growth</u> -0.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$2.611 Billion	<u>Actual YTD Cash</u> \$168.3 Million	<u>Adjusted YTD Cash</u> \$170.1 Million

Total tax revenues for the fiscal year-to-date period through July 2007 were \$168.3 million, or 1.3 percent less than the \$170.4 million in total taxes collected in FY 2007 through July 2006. The FY 2008 enacted growth estimate for tax collections is 2.8 percent over final enacted FY 2007 tax collections. In FY 2007, the Tax Amnesty program resulted in late tax payment and overdue interest collections totaling \$196,467 in July 2006, of which \$122,693 were general revenue taxes. In FY 2008, motor vehicle license and fee revenues were underreported by \$1.8 million due to the late payment of FY 2007 interstate trucking fees. This modification yields an adjusted growth rate -0.2 percent in total taxes.

Personal Income Taxes

Annual Growth Rates	<u>Enacted Growth Estimate</u> 2.5 %	<u>Actual YTD Growth</u> 6.2 %	<u>Adjusted YTD Growth</u> 6.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$1.083 Billion	<u>Actual YTD Cash</u> \$64.4 Million	<u>Adjusted YTD Cash</u> \$64.4 Million

Actual personal income tax collections for FY 2008 through for the first month of the fiscal year were up \$3.8 million, or 6.2 percent, compared to the same period last fiscal year. The FY 2008 year-to-date growth rate exceeds the enacted FY 2008 over final enacted FY 2007 growth rate of 2.5 percent in personal income tax collections. The Tax Amnesty program, ending September 30, 2006, contributed with \$96,524 in personal income tax collections in fiscal year 2007 through the end of July.

FY 2008 year-to-date income tax refunds paid were less by \$525,363, or -7.1 percent, compared to the same period in FY 2007. The -7.1 percent actual growth in cash income tax refunds paid between FY 2008 and FY 2007 is less than the enacted growth rate for income tax refunds paid of 2.0 percent.

Income tax withholding payments have grown by \$3.7 million, or 6.1 percent, through the first month of FY 2008 when compared to the same period in FY 2007. The 6.1 percent actual growth in cash withholding payments between FY 2008 and FY 2007 is higher than the enacted growth estimate for income tax withholding payments of 4.2 percent.

There has been a decrease in final income tax payments received. Fiscal year-to-date final income tax payments were down \$717,418, or -23.5 percent, through July of FY 2008 as compared to final payments for the first month of FY 2007. The -23.5 percent actual growth in cash final income tax payments received between FY 2008 and FY 2007 is substantially lower than the enacted growth rate for final income tax payments received of 3.1 percent.

Finally, with respect to estimated income tax payments, year-to-date FY 2008 collections were up \$242,153 million from FY 2007 collections at this time last year. This increase translates into a fiscal year-to-date growth rate of 6.3 percent. The 6.3 percent actual growth in cash estimated income tax payments received between FY 2008 and FY 2007 is higher than the enacted growth rate for estimated income tax payments received of -5.5 percent.

Sales and Use Taxes

Annual Growth Rates	<u>Enacted Growth Estimate</u> 2.7 %	<u>Actual YTD Growth</u> -3.3 %	<u>Adjusted YTD Growth</u> -3.3 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$908.7 Million	<u>Actual YTD Cash</u> \$79.8 Million	<u>Adjusted YTD Cash</u> \$79.8 Million

Sales and use tax collections in FY 2008 were down \$2.7 million, or 3.3 percent, relative to last fiscal year at this time. The Division of Taxation reports that \$23,276 of sales and use taxes collected in July 2006 were attributable to the Tax Amnesty. As always, the monthly sales tax receipts reported here reflect the prior month's retail sales activity. For both FY 2007 and FY 2008, the state's sales tax rate is 7.0 percent. The -3.3 percent growth in sales and use tax revenues for fiscal year-to-date 2008 is lower than the enacted FY 2008 over final enacted FY 2007 sales and use tax collections growth estimate of 2.7 percent.

According to the Division of Taxation, within the sales tax components, registry receipts were down 5.6 percent in the first month of FY 2008 when compared to same period last fiscal year. Net sales tax receipts remitted directly to the Division of Taxation posted a decrease of 3.3 percent during FY 2008's first month versus the first months of FY 2007. Providence Place Mall (PPM) sales tax receipts were up 26.6 percent through July of FY 2008 versus the same period in FY 2007. The robust growth in PPM sales tax receipts for July 2007 were likely substantially impacted to two events cited by Bloomberg News as a boost to national retail sales; the sale of Apple's new iPhone and the launch of the latest Harry Potter book. PPM hosts both an Apple Store and a Border's Books & Music store.

General Business Taxes

Annual Growth Rates	<u>Enacted Growth Estimate</u> 5.7 %	<u>Actual YTD Growth</u> -1.8 %	<u>Adjusted YTD Growth</u> -1.8 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$397.8 Million	<u>Actual YTD Cash</u> \$7.7 Million	<u>Adjusted YTD Cash</u> \$7.7 Million

In general, it is not possible at this time to begin to discern patterns in this year's general business tax collections. Most general business taxes are paid in March and June of the fiscal year, with 40.0 percent of total tax liability due in March and 60.0 percent of total tax liability

due in June. The exception to this pattern is business corporations taxes and health care provider assessments.

Total general business taxes collected in the fiscal year-to-date July 2007 period were \$7.7 million, or \$138,068 less than the \$7.8 million collected for the same period in FY 2007. Year-to-date growth in FY 2008 is -1.8 percent. The enacted growth is 5.7 percent. The Tax Amnesty program resulted in general business tax collections of \$2,893 in July 2006.

FY 2008 year-to-date business corporations taxes were down \$286,870, or -7.4 percent, from last fiscal year at this time, and were lower than the enacted business corporations tax estimate of 0.1 percent over FY 2007 final enacted collections. Business corporations tax collections of \$2,893 were due to the Tax Amnesty in July 2006.

Health care provider assessment taxes through July 2007 were \$3.6 million, an increase of 2.5 percent over the same period in FY 2007. The health care provider assessment collections flow more evenly into the general fund over the course of the fiscal year.

Bank deposit taxes tend to post irregularly until March, when the first 60.0 percent of total tax liability is due. Bank deposit taxes of \$3,037 were received through the first month of FY 2008 as compared to \$3,000 collected through July 2006. However, in July 2006, the \$3,000 collected was an erroneous posting and was corrected by posting as financial institutions taxes in August 2006. Year-to-date July 2007 financial institutions taxes collected were up \$4,173 compared to collections for the comparable period last year after adjusting for the \$3,000 in banking deposits taxes that were misposted. Through July 2006, no bank deposit taxes were actually received.

The insurance companies tax is up 73.6 percent year-to-date. Insurance companies tax collections through July 2007 total \$135,361. Insurance companies taxes tend to post irregularly until March, when the first 60.0 percent of total tax liability is due. Finally, public utilities gross earnings taxes were \$371,639 in July 2007, an increase of 0.1 percent from collections of \$371,161 in July 2006.

Excise Taxes Other Than the Sales and Use Tax

Annual Growth Rates	<u>Enacted Growth Estimate</u> -1.0 %	<u>Actual YTD Growth</u> -13.0 %	<u>Adjusted YTD Growth</u> -1.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$174.9 Million	<u>Actual YTD Cash</u> \$13.2 Million	<u>Adjusted YTD Cash</u> \$15.0 Million

Excise taxes other than sales and use taxes collected in the fiscal year-to-date July 2007 period totaled \$13.2 million or \$1.9 million less than the \$15.1 million collected for the same period in FY 2007. In FY 2008, June 2007 interstate trucking payments were made in July 2007 causing an understatement of \$1.8 million. In FY 2008 motor vehicle license and fee revenues were understated for the fourth straight year. In FY 2007, the understatement occurred in August 2006.

Rhode Island cigarette tax receipts are comprised of excise taxes collected on the sale of cigarettes, smokeless tobacco (which also includes cigars and pipe tobacco), and a one-time cigarette floor stock tax. The cigarette floor stock tax is imposed only when there is an increase in the excise tax on cigarettes. In FY 2007 and FY 2008 no increase in the cigarette excise tax

was passed into law and, as a result, no cigarette floor stock tax revenues were collected in FY 2007 and none are expected for the current fiscal year. Total cigarette tax receipts for the first month of FY 2008 were up 5.2 percent compared to the same period a year ago.

Finally, the change in cigarette consumption is determined. First, the value of the cigarette floor stock tax and smokeless tobacco products tax is netted out of the data. The result is a decrease in Rhode Island cigarette consumption of 5.2 percent for the first month of FY 2008 versus the first month of FY 2007.

Other Taxes

Annual Growth Rates	<u>Enacted Growth Estimate</u> 0.4 %	<u>Actual YTD Growth</u> -25.3 %	<u>Adjusted YTD Growth</u> -25.3 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$46.5 Million	<u>Actual YTD Cash</u> \$3.2 Million	<u>Adjusted YTD Cash</u> \$3.2 Million

Total other taxes collected through July of FY 2008 totaled \$3.2 million versus \$4.3 million in other taxes collected during the same period last fiscal year, a decrease of \$1.1 million, or -25.3 percent. Inheritance tax collections totaled \$1.9 million through July of FY 2008, a decrease of 27.4 percent from the \$2.6 million collected through the first month of FY 2007. Given the fact that inheritance tax collections are volatile, it is not possible to make any valid comments about this revenue source. Racing and athletics tax collections through July of FY 2008 were up 0.1 percent relative to the same period in FY 2007. Realty transfer taxes were down by 25.6 percent through July of FY 2008 versus July of FY 2007. The enacted FY 2008 other taxes growth estimate is 0.4 percent over final enacted FY 2007 total other taxes.

Total Departmental Receipts

Annual Growth Rates	<u>Enacted Growth Estimate</u> 25.8 %	<u>Actual YTD Growth</u> 1,314.8 %	<u>Adjusted YTD Growth</u> 89.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$362.9 Million	<u>Actual YTD Cash</u> \$77.1 Million	<u>Adjusted YTD Cash</u> \$10.3 Million

FY 2008 year-to-date departmental receipts total \$77.1 million, an increase of \$71.6 million from the amount that was collected last fiscal year at this time. Actual departmental receipts for FY 2008 were up 1,314.8 percent when compared to receipts collected for the same period a year ago. The enacted FY 2007 growth estimate is 25.8 percent over final enacted FY 2007 departmental receipt collections. Adjustments are detailed below. It is important to note that, in the licenses and fees category of departmental receipts, the Hospital Licensing Fee for FY 2007 was not due until July 16, 2007 and the cash payment received in FY 2008 will be accrued back to FY 2007.

The Hospital Licensing Fee received in FY 2008 for FY 2007 accounted for \$66.8 million in departmental revenues. The first \$4.4 million of the Hospital Licensing Fee was paid in May 2007. Taking into account the accrual of the Hospital Licensing Fee results in FY 2008 adjusted growth in departmental licenses and fees of 118.6 percent. Year-to-date registration fees collected by the Department of Business Regulation for the securities act were higher by \$504,900 through July 2007 as compared to July 2006. Further, insurance companies annual assessments were higher in July 2007 than in July 2006 by \$663,194. The \$663,194 collected in

July 2007 insurance companies annual assessments were incorporated into the FY 2007 departmental revenues estimate. No insurance companies annual assessments were collected in July 2006. Additionally, \$434,277 was collected in July 2007 for the marina dredging tipping fee as compared to no collections in FY 2007. Year-to-date intermediary hospital rate settlement payments were nearly \$1.0 million higher in July 2007 over July 2006. These payments are received irregularly throughout the year and the Department of Human Services is making an effort to collect these payments at an accelerated pace. Finally, E-911 wireless and wireline surcharges collected in July of FY 2008 totaled nearly \$1.0 million whereas nothing had been posted to these accounts in July 2006.

In the sales and services category of departmental receipts, FY 2008 year-to-date growth is 21.8 percent over FY 2007 collections of \$657,231 through July 2006. Fines and penalties were up \$36,287 through the first month of FY 2008 versus the first month of FY 2007. The majority of FY 2007 and FY 2008 court collections were not posted in July of either fiscal year. In FY 2008, the courts are transitioning to a new system which has caused a delay in posting receipts in the current fiscal year. Finally, miscellaneous departmental revenues were up \$291,286, or 27.7 percent, through the first month of FY 2008 versus the first month of FY 2007.

Adjusting total departmental receipts for the hospital licensing fee results in an adjusted growth rate of 89.2 percent, an increase of \$4.9 million over FY 2007 departmental receipts collected through July 2006.

Gas Tax Transfer

Annual Growth Rates	<u>Enacted Growth Estimate</u> 0.2 %	<u>Actual YTD Growth</u> -2.9 %	<u>Adjusted YTD Growth</u> -2.9 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$4.7 Million	<u>Actual YTD Cash</u> \$399,547	<u>Adjusted YTD Cash</u> \$399,547

The Gas Tax Transfer is down 2.9 percent for FY 2008 through July when compared to FY 2007 for the same period. The enacted growth rate estimate for the gas tax transfer is 0.2 percent. In both FY 2008 and FY 2007, \$0.01 per gallon of the State's \$0.30 per gallon motor fuel tax is devoted to the general fund.

Other Miscellaneous Revenues

Annual Growth Rates	<u>Enacted Growth Estimate</u> 108.1 %	<u>Actual YTD Growth</u> 2,609.0 %	<u>Adjusted YTD Growth</u> 2,609.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$140.3 Million	<u>Actual YTD Cash</u> \$68,186	<u>Adjusted YTD Cash</u> \$68,186

Other Miscellaneous Revenues were up 2,609.0 percent in FY 2008 when compared to the same period one year ago. FY 2008 year-to-date collections total \$68,186 compared to \$2,517 collected at this time last fiscal year. In July 2007, the operating transfers from Rhode Island Depositors Economic Protection Corporation (DEPCO) were lower than transfers in July 2006 by \$99, totaling \$2,616 in July 2007. Inter-year adjustments in July 2007 were nil as compared to inter-year adjustments in July 2006 of \$65,570. The enacted FY 2008 growth estimate for other miscellaneous revenues is 108.1 percent over final enacted FY 2007 collections. The

actual year-to-date growth in other miscellaneous revenues is not a surprise given the lack of consistency in typical receipt patterns.

Lottery Transfer

Annual Growth Rates	<u>Enacted Growth Estimate</u> 5.4 %	<u>Actual YTD Growth</u> n/a	<u>Adjusted YTD Growth</u> n/a
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$339.7 Million	<u>Actual YTD Cash</u> n/a	<u>Adjusted YTD Cash</u> n/a

There is no lottery transfer in July of any fiscal year.



Rosemary Booth Gallogly, State Budget Officer

August 16, 2007

STATE OF RHODE ISLAND
Year To Date Revenues

	FY 2007	FY 2008	Change	Enacted Estimate
	July	July		
<u>Personal Income Tax</u>	60,609,503	64,364,105	6.2%	2.5%
<u>General Business Taxes</u>				
Business Corporations	3,864,618	3,577,748	-7.4%	0.1%
Public Utilities Gross Earnings	371,161	371,639	0.1%	5.1%
Financial Institutions	-	4,173	-	-44.4%
Insurance Companies	77,984	135,361	73.6%	31.4%
Bank Deposits	3,000	3,037	1.2%	0.0%
Health Care Provider Assessment	3,489,948	3,576,685	2.5%	2.3%
<u>Excise Taxes</u>				
Sales and Use	82,547,727	79,840,155	-3.3%	2.7%
Motor Vehicle	3,446,471	974,445	-71.7%	10.9%
Motor Fuel	(7,731)	47,097	-	0.0%
Cigarettes	10,646,077	11,196,415	5.2%	-5.8%
Alcohol	1,057,862	952,670	-9.9%	1.8%
Controlled Substances	-	-	-	-
<u>Other Taxes</u>				
Inheritance and Gift	2,581,451	1,875,392	-27.4%	1.7%
Racing and Athletics	225,649	225,969	0.1%	-10.3%
Realty Transfer	1,514,563	1,126,930	-25.6%	0.0%
Total Taxes	\$ 170,428,283	\$ 168,271,821	-1.3%	2.8%
<u>Departmental Receipts</u>				
Licenses and Fees	3,701,920	74,850,891	1921.9%	
Fines and Penalties	37,606	73,893	96.5%	
Sales and Services	657,231	800,226	21.8%	
Miscellaneous	1,050,353	1,341,639	27.7%	
Total Departmental Receipts	\$ 5,447,110	\$ 77,066,649	1314.8%	25.8%
Taxes and Departmentals	\$ 175,875,393	\$ 245,338,470	39.5%	5.1%
<u>Other General Revenue Sources</u>				
Gas Tax Transfer	411,440	399,547	-2.9%	0.2%
Other Miscellaneous Revenues	2,517	68,186	2609.0%	108.1%
Lottery Transfer	-	-	-	5.4%
Unclaimed Property	-	-	-	32.7%
Total Other Sources	\$ 413,957	\$ 467,733	13.0%	23.2%
Total General Revenues	\$ 176,289,350	\$ 245,806,203	39.4%	7.4%